

House File 2502 - Introduced

HOUSE FILE _____
BY JACOBY

Passed House, Date _____ Passed Senate, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act providing for a residual biomass tax credit, and including
2 effective and applicability dates.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:
4 TLSB 5602HH 82
5 da/rj/5

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1 1 Section 1. NEW SECTION. 422.11V RESIDUAL BIOMASS TAX
1 2 CREDIT.
1 3 1. The taxes imposed under this division, less the credits
1 4 allowed under section 422.12, shall be reduced by a residual
1 5 biomass tax credit as allowed under section 469.41.
1 6 2. This section is repealed December 31, 2015.
1 7 Sec. 2. Section 422.33, Code Supplement 2007, is amended
1 8 by adding the following new subsection:
1 9 NEW SUBSECTION. 11D. a. The taxes imposed under this
1 10 division shall be reduced by a residual biomass tax credit as
1 11 allowed under section 469.41.
1 12 b. This subsection is repealed December 31, 2015.
1 13 Sec. 3. Section 469.31, Code Supplement 2007, is amended
1 14 by adding the following new subsections:
1 15 NEW SUBSECTION. 4A. "Biofuel" means a combustible liquid
1 16 or gas derived from a biomass that alone or in combination
1 17 with other compounds is capable of fueling an engine or being
1 18 burned to produce steam for industrial heating. "Biofuel"
1 19 includes but is not limited to ethanol or biodiesel as defined
1 20 in section 214A.1.
1 21 NEW SUBSECTION. 4B. "Biofuel manufacturer" means a
1 22 biobased materials industry organized as a business
1 23 association in this state that produces biofuel.
1 24 NEW SUBSECTION. 11. "Residual cellulosic biomass" means
1 25 that type of cellulosic biomass that does not have nutritional
1 26 or caloric value when fed to agricultural animals, including
1 27 but not limited to wheat and rice straw, corn stalks and cobs,
1 28 seed husks and hulls, and manure.
1 29 Sec. 4. Section 469.31, subsection 7, Code Supplement
1 30 2007, is amended to read as follows:
1 31 7. "~~Cellulosic biomass renewable fuel~~ biomass" means
1 32 ~~renewable fuel derived from a lignocellulosic or~~
~~1 33 hemicellulosic lignocellulosic matter that contains any~~
~~1 34 combination of lignin, cellulose, or hemicellulose that~~
~~1 35 comprises at least sixty-five percent of the material and dry~~
~~2 1 matter basis. "Cellulosic biomass" includes matter that is~~
~~2 2 deriving from nonfood or animal feed sources and~~ available on
2 3 a renewable or recurring basis, including dedicated energy
2 4 crops and trees, wood and wood residues, plants, grasses,
2 5 agricultural residues, fiber, animal wastes and other waste
2 6 materials, refuse-derived fuel, and municipal solid waste.
2 7 7A. "Cellulosic biomass renewable fuel" means a renewable
~~2 8 fuel derived from cellulosic biomass.~~
2 9 Sec. 5. NEW SECTION. 469.41 RESIDUAL BIOMASS TAX CREDIT.
2 10 A residual biomass tax credit is allowed under this
2 11 section. The tax credit is allowed against the taxes imposed
2 12 in chapter 422, division II, as provided in section 422.11V,
2 13 and in chapter 422, division III, as provided in section
2 14 422.33.
2 15 1. The purpose of the tax credit is to stimulate the
2 16 increased use of residual cellulosic biomass as a feedstock in
2 17 the manufacture of a biofuel or other forms of renewable
2 18 energy.
2 19 2. The tax credit equals ten dollars for each ton of
2 20 residual cellulosic biomass as measured on a dry matter basis.

2 21 An assay will be performed by the purchaser of biomass to
2 22 determine the usable content and unusable portions shall be
2 23 discounted proportionately. A taxpayer shall not claim a tax
2 24 credit in excess of thirty-five thousand dollars in any tax
2 25 year.
2 26 3. A taxpayer shall not claim a tax credit under this
2 27 section, unless all of the following applies:
2 28 a. The taxpayer is qualified to provide for the storage,
2 29 processing, and delivery of residual cellulosic biomass to a
2 30 biofuel manufacturer.
2 31 b. The biofuel manufacturer is qualified to actively
2 32 produce biofuel on a commercially viable scale.
2 33 4. A taxpayer's tax return shall include all of the
2 34 following:
2 35 a. A tax credit certificate issued by the office attached
3 1 to the taxpayer's tax return for the tax year for which the
3 2 tax credit is claimed.
3 3 (1) The office must review and approve an application for
3 4 a tax credit as provided by rules adopted by the office. The
3 5 office may approve the application and issue a certificate
3 6 only if it determines that the taxpayer and the biofuel
3 7 manufacturer are qualified for the tax credit.
3 8 (2) A tax credit certificate shall contain the taxpayer's
3 9 name, address, and tax identification number, and any other
3 10 information required by the office. The tax credit
3 11 certificate shall only list one type of tax to which the tax
3 12 credit may be applied. Once issued, the tax credit
3 13 certificate shall not be terminated or rescinded. The tax
3 14 credit may only be claimed against the type of tax reflected
3 15 on the certificate.
3 16 b. Receipts or assay reports provided by the biofuel
3 17 manufacturer attached to the taxpayer's tax return as required
3 18 by the office.
3 19 5. A tax credit in excess of the taxpayer's liability for
3 20 the tax year may be credited to the tax liability for the
3 21 following five years or until depleted, whichever is earlier.
3 22 A tax credit shall not be carried back to a tax year prior to
3 23 the tax year in which the taxpayer redeems the tax credit. A
3 24 tax credit shall not be transferable to any other person other
3 25 than the taxpayer's estate or trust upon the taxpayer's death.
3 26 6. This section is repealed December 31, 2015.
3 27 Sec. 6. EFFECTIVE AND APPLICABILITY DATE. This Act takes
3 28 effect January 1, 2010, and applies to tax years beginning on
3 29 or after that date.

3 30 EXPLANATION

3 31 This bill provides a residual biomass tax credit allowed
3 32 against income taxes for individuals under Code chapter 422,
3 33 division II, and businesses under Code chapter 422, division
3 34 III. The purpose of the tax credit is to stimulate the
3 35 increased use of residual cellulosic biomass as a feedstock in
4 1 the manufacture of a biofuel (a combustible liquid or gas
4 2 derived from a biomass that alone or in combination with other
4 3 compounds is capable of fueling an engine or the production of
4 4 steam for industrial heating).

4 5 The amount of the tax credit is \$10 for each ton of
4 6 residual cellulosic biomass containing less than 65 percent
4 7 lignin, cellulose, or hemicellulose that is to be purchased by
4 8 a biofuel manufacturer. The tax credit cannot exceed \$35,000
4 9 per tax year.

4 10 The bill imposes certain conditions upon a taxpayer who
4 11 must demonstrate that they are qualified to provide for the
4 12 storage, processing, and delivery of residual cellulosic
4 13 biomass to a biofuel manufacturer and upon a biofuel
4 14 manufacturer who must be organized in this state and qualified
4 15 to actively produce biofuel on a commercially viable scale.

4 16 The bill provides that the taxpayer's tax return must
4 17 include documentation including a tax credit certificate
4 18 issued by the office of energy independence. The office must
4 19 review and approve an application for a tax credit certificate
4 20 according to its rules, and the taxpayer may be required to
4 21 submit additional information with its tax return. The bill
4 22 also provides for the issuance of a tax credit certificate,
4 23 and for tax credit to be carried forward.

4 24 This tax credit is eliminated on December 31, 2015.

4 25 The bill takes effect January 1, 2010, and applies to tax
4 26 years beginning on or after that date.

4 27 LSB 5602HH 82

4 28 da/rj/5